

Annual Audit Letter

Belfast City Council

Year to 31 March 2007

Issued by
John Buchanan
Local Government Auditor (NIAO)

Annual Audit Letter

Belfast City Council – year to 31 March 2007

Introduction

The Department of the Environment, may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate persons who are members of the staff of the Northern Ireland Audit Office as local government auditors (Article 4(3) of the Local Government (Northern Ireland) Order 2005.

As an auditor independent of the audited body I seek to examine that the body has managed its affairs having regard to a combination of economy, efficiency and effectiveness and that public money is properly spent or in the case of income properly accounted for.

Status of this report

This report is issued under Article 13 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006.

The report is addressed to members and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Contents

- Financial management
- How is the Council performing?
- Grant claims
- Conclusion/ Availability of this letter

Financial management

- 1 As your statutory appointed auditor I issued my audit opinion on the Statement of Accounts on 29 October 2007. I gave an unqualified opinion on your accounts.

Matters arising from the final accounts audit

- 2 The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. The Council's annual accounts were signed by the Chief Financial Officer on 14 June 2007. Members of the Strategic Policy and Resources Committee approved the accounts on 15 June 2007 which was within statutory guidelines. Following a number of material amendments the accounts were authorised for issue by the Chief Financial Officer on 29 October 2007.
- 3 The material amendments are outlined in Annex A.

Financial standing

- 4 The Council's financial position remains generally stable; however financial pressures continue to present the Council with challenges. The Council recognises these challenges and continues to maintain levels of reserves to help manage future pressures.
- 5 The district fund balance at £13.2m represents 12.7 % of the net operating expenditure. The average for the 26 district Councils is 14.4% (based on the accounts presented for audit).

District fund spending and balances

- 6 The financial position remains relatively stable with the District Fund balance reducing by £2.2m. The Council has a total net worth as at 31 March 2007 of £470m. The Council has reserves as follows;

Repairs and Renewals	£12.8m
District Fund	£13.2m
Election Reserve	£397 k

I understand from the Director of Corporate Services that the Council plans to finance the current adaptations to the City Hall from the District Fund credit balance.

The repairs and renewals balance is being increased over the next few years to match the revised Dargan Road landfill closure and aftercare cost provision. The monetary value of this revised provision should be finalised in the next few months.

The Council has not established a Capital Fund since fixed asset additions, net of grants, tend to be funded from contributions from the District Fund.

Capital Programme

- 7 The Council has Fixed Assets totalling £479m with loans outstanding of £21m. These loans are in support of pre 1973 borrowings for housing purposes which are being repaid with interest by the Northern Ireland Housing Executive. The Statement of Accounts reports that at 31 March 2007 Council has future capital commitments with an estimated net cost after grants of £123m.

Systems of internal financial control

- 8 I was able to place reliance on the Council's internal control environment for the purposes of forming my opinion on the financial statements.

Internal Audit

- 9 As part of my evaluation of the general control environment I assessed the quality of the Internal Audit function in accordance with ISA 500. The Council has a dedicated Internal Audit, Risk and Governance Department and an Audit Panel was operational during the year.

How is the Council performing?

Scope of my audit

10 My audit is conducted in accordance with a Code of Audit Practice (the Code) issued by the Chief Local Government Auditor. The Code prescribes the standards, procedures and techniques which comprise a local government audit. The Code notes that due to the special accountabilities attached to public money and the conduct of public business:

“the scope of auditors’ work is extended to cover not only the audit of financial statements but also aspects of corporate governance and arrangements to secure the economic, efficient and effective use of resources.”

11 Throughout the public sector the economic, efficient and effective use of resources is known as Value for Money (VFM). More particularly in the context of the Local Government (Best Value) Act (Northern Ireland) 2002 “a Council shall make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of economy efficiency and effectiveness”.

12 A review of the Council’s corporate governance and VFM arrangements for 2006-07 was carried out. The finding from the review was included in my audit file and a summary report, prepared for me, was copied to the Chief Executive. This corporate governance and VFM arrangements review provided no evidence that the Council does not have proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

13 I noted the following from the corporate governance and VFM arrangements review:

- Risk Registers for the Council are to be completed in December 2007. I will examine further progress on this in my next audit of the Council.
- Members and senior officers are required to sign and return an annual declaration of pecuniary interests. Where no return is made a ‘nil’ declaration is assumed. Declarations including ‘nil’ returns should be obtained for all members and senior officers.
- An action plan drawn up from the “Jack” Report (recommendations concerning budget reporting to Education Boards) was not fully implemented by the end of 2006-07. I will examine further progress on this in my next audit of the Council.

- The composition of the Audit Panel is currently being revised in line with the accepted corporate governance practice for Audit Committees i.e. reduced membership and the inclusion of external expertise.
- There is no documented business continuity plan for IT servers.
- The Council is currently undertaking a tendering process for its Insurance Broking Services.

Absenteeism

- 14** The Chief Local Government Auditor may, in accordance with the Local Government (Northern Ireland) Order 2005, undertake and publish studies which examine the provision of services by local government bodies. A study of absenteeism in Northern Ireland Councils was completed in respect of 2005-06. Similar unpublished absenteeism reviews had been undertaken for several years by the Chief Local Government Auditor. This data enabled the 2005-06 report to address absenteeism performance beyond that year for each Council, and for the sector as a whole.
- 15** In his 2005-06 report, published in March 2007, the Chief Local Government Auditor analysed absenteeism for each Council over a three year period and an average annual absenteeism rate was derived for this period. This analysis counters the impact of annual fluctuations in absenteeism which would distort the findings, particularly within smaller Councils.
- 16** The Chief Local Government Auditor recommends that Councils monitor their absenteeism regularly as part of an ongoing process of absenteeism management. To facilitate this I attach at Annex B annual absenteeism data which includes 2006-07 figures. Also included is the three yearly data from the Chief Local Government Auditor's 2005-06 report. The 2006-07 data will be included in a revised three yearly derived absenteeism rate which will be part of the Chief Local Government Auditor's 2006-07 report on all Councils. The report will be published later this year.
- 17** The 2006-07 absenteeism figure for the Council is 15.06 days. This represents a decrease of 0.66 days or 4.2% on the prior year.
- 18** Over the three year period 2003-6 the Council had the 15th highest average annual absenteeism rate in Northern Ireland at 16.12 days. The 2003-06 three year absenteeism rate of 16.12 days for this Council is above the average for all Councils of 14.28 days. The Council experienced an increase in its absenteeism rate of almost a day and a half from 14.76 days in 2000-03 to 16.12 days in 2003-06.

- 19 Had the Councils' 2003-06 absenteeism rate matched that of Fermanagh District Council (the best result of the 26 councils over the period) annual productivity gains of £1,9 million may have been possible.

Grant claims

- 20 The Chief Local Government Auditor has developed a more risk based approach to the certification of grant claims. We plan to reduce our audit scope of these claims and where appropriate adopt a controls-based approach on all of the Council's grant claims.
- 21 Central government funding bodies have been advised of the new approach through a Department of Finance and Personnel circular DAO(DFP) 09/07 dated 6 August 2007.

Conclusion

- 22 This letter has been discussed and agreed with the Chief Executive and the Director of Corporate Services.
- 23 The Council has taken a positive and constructive approach to our audit. I would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

Availability of this letter

- 24 This letter will be published on the Northern Ireland Audit Office's website at www.niauditoffice.gov.uk, and also on the Council's website.

John Buchanan

Local Government Auditor

6 December 2007

Annual Audit Letter

Belfast City Council – year to 31 March 2007

ANNEX A MATERIAL AMENDMENTS TO DRAFT ACCOUNTS

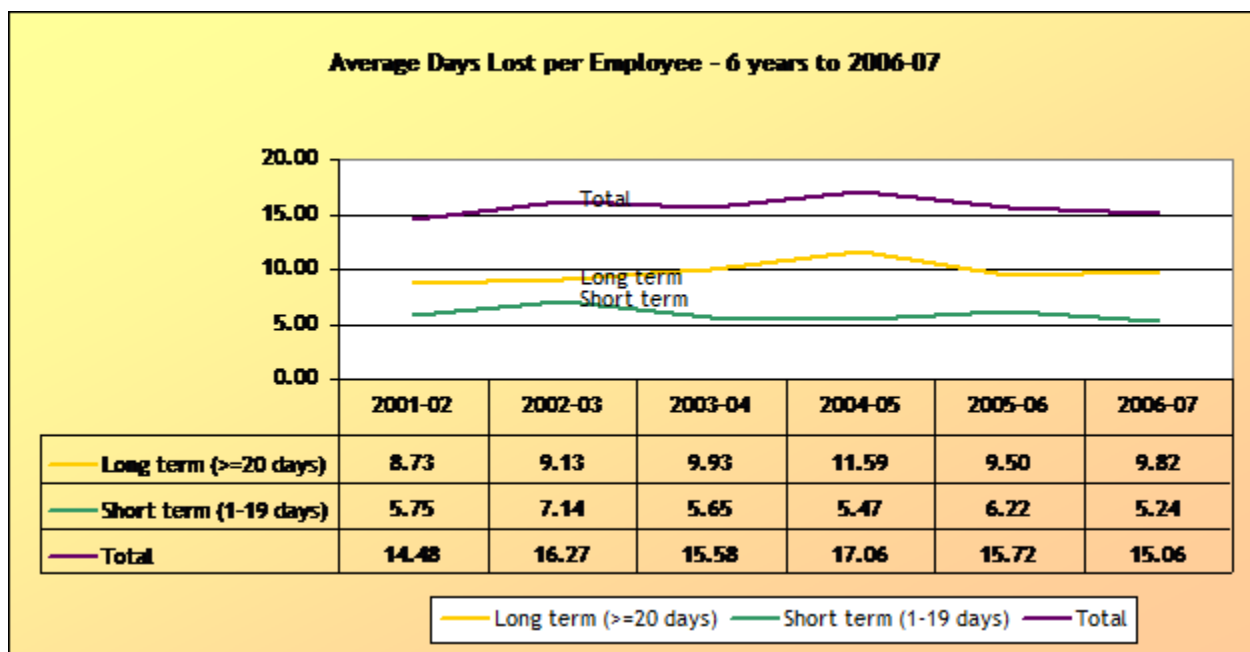
	Issue	Value of misstatement £	Effect on District Fund this year. Charge / (credit) £
1	Interest not credited to Repairs and Renewals reserve	569,767	569,767
2	Finalisation of rates – now a repayment position rather than a debtor	1,633,595	1,633,595
3	Write off of landfill intangible asset	3,200,000	nil
4	Adjustment for Brighter Belfast future costs which had incorrectly been carried forward from last year in the Repairs and Renewals reserve. Impact is to increase the District Fund balance brought forward from 2005/6 and reduce Repairs and Renewals reserve by same amount.	1,410,000	Nil – prior year restatement
5	Brighter Belfast costs incurred in 2006/7	1,192,921	1,192,921
6	A number of changes were made to the figures in the Statement of Recognised Gains and Losses (page 12) and the Cash Flow Statement (page 14) and supporting notes.		Nil

ANNEX B

Belfast Absenteeism

Annual Absenteeism

The chart below tracks absenteeism for the 6 years to 2006-07 for total days lost per employee.



2006-07 absenteeism compared to Northern Ireland Councils as a whole*

	Belfast	NI Councils	Variance	Variance %
Average total days lost per employee	15.06	13.81	1.25	9%

* The Northern Ireland Council position is derived from figures as at 21/09/07. Final Figures will be included in the Chief Local Government Auditor's report on Absenteeism in Northern Ireland Councils 2006-07. The report is due to be published in December 2007. The 2005-06 report included the following for the period 2003-06:

3-year absenteeism (2003-06) compared to Northern Ireland Councils as a whole

	Belfast	NI Councils	Variance	Variance %
Average total days lost per employee	16.12	14.28	1.84	13%